

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 EURE-00 CIAE-00 DODE-00 PM-09 H-02

INR-09 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-14

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OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 INRE-00

GAC-01 NIC-01 RSR-01 /156 W
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P R 281445 Z MAR 73

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TO SECSTATE WASHDC PRIORITY 5850

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 HELSINKI 0811

E. O. 11652: N/ A

TAGS: PINT, ELAB, FI

SUBJECT: CONSERVATIVE PARTY TACTICS TEMPORARILY STALL
INCOME POLICY AND WAGE NEGOTIATIONS

BEGIN SUMMARY. FINLAND'S ANNUAL WRESTLING MATCH TO SETTLE ITS INCOME POLICY AND WAGE GUIDELINES FOR THE COMING YEAR IS IN ITS FINAL ROUND. THE BOUT HAS BEEN MAKRED BY SOME UNUSUAL FEATURES THIS YEAR, NOTABLY A CONSERVATIVE TACTICAL POWER- PLAY IN PARLIAMENT, AND IT APPEARS LIKELY IT WILL GO BEYOND THE MARCH 31 EXPIRATION DATE OF THE LABOR CONTRACTS. THE POLITICAL CONTROVERSY OVER EXTENSION OF THE GOVERNMENT'S SPECIAL ECONOMIC POWERS IS EXPECTED TO BE RESOLVED THIS WEEK, LEAVING THE WAGE SETTLEMENT TO BE WORKED OUT IN ITS FINAL DETAILS NEXT MONTH. DESPITE THE EXPIRATION NO MAJOR STRIKES ARE EXPECTED BUT LABOR COSTS ARE EXPECTED TO RISE BY ABOUT 15 PERCENT. THIS WILL HAVE AN INFLATIONARY EFFECT ON AN ECONOMY IN WHICH THE ANNUAL RISE IN PRODUCTIVITY IS
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4-5 PERCENT. END SUMMARY.

1. OF THE SEVERAL FACTORS ENTWINED IN THIS YEAR' S INCOMES POLICY AND WAGE NEGOTIATION ROUND THE ONE PROVIDING THE MOST DRAMA IN THE LAST WEEK HAS BEEN THE PARHOPED THAT AGREEMENT WOULD EMERGE ON THE VARIOUS ISSUES AT STAKE ROUGHLY SIMULTANEOUSLY SO THAT NONE OF THE PARTIES INVOLVED WOULD LOSE FACE. WITH THE VOTE ON MARCH 23 THE UNIONS CALLED A HALT TO NEGOTIATIONS AND SAID THEY WOULD ONLY RESUME WHEN THE " NEW" SPECIAL POWERS BILL WAS PASSED.

5. THE SIXE OF THE WAGE INCREASE LIKELY TO BE NEGOTIATED IS NOT YET CLEAR. DEMANDS HAVE BEEN KEPT PURPOSELY VAGUE TO ALLOW FOR NEGOTIATING FLEXIBILITY. MANY OF THE MAJOR UNIONS HAVE PUBLISHED DEMANDS FOR 75 PENNIES AN HOUR INCREASE, PLUS VARIOUS SOCIAL BENEFITS AND CONTRACT ADJUSTMENTS. THE SETTLEMENTS WILL ALSO BE EXPECTED TO INCLUDE A FURTHER ADJUSTMENT FACTOR OF TWO- THREE PERCENT REFERRED TO AS THE " WAGE DRAFT." EXCLUDING WAGE DRIFT, A MINISTRY OF FINANCE SOURCE CALCULATES THE WORKERS' DEMANDS AMOUNT TO ABOUT A 14 PERCENT INCREASE. STK SOURCES, HOWEVER, ADD THE SAME FIGURES UP TO NEARLY 20 PERCENT. THERE WILL BE CONSIDERABLE PRESSURE BY THE WORKERS SINCE NONE OF THE PARTIES EXPECT THAT THE GOVERNMENT WILL BE ABLE TO OFFER ANY TAX RELIEF THIS YEAR TO EVEN THE LOWER INCOME GROUPS WHICH UNDER PRESENT TAX SCALES STAND TO LOSE A LARGE PROPORTION OF THEIR WAGE RAISE IN TAXES. EXHORTATIONS TO KEEP THE WAGE RISE IN STEP WITH THE PRODUCTIVITY RISE ARE CONSIDERED UNREALISTIC. WITH A 6-7 PERCENT COST OF LIVING RISE FORECAST FOR 1973 THE WORKERS ARE UNLIKELY TO BE SATISFIED WITH ANY SETTLEMENT THAT DOES NOT AT LEAST OFFER THE HOPE OF A RISE IN REAL INCOME. THE FINAL TOTAL FIGURE FOR THIS YEAR' S INCREASE IN LABOR COSTS, INCLUDING ALLOWANCE FOR WAGE DRIFT AND NEW VACATION AND PENSION BENEFITS ALREADY AGREED TO WILL BE ABOUT 14-15 PERCENT ACCORDING TO A RELIABLE SAK SOURCE.

6. COMMENT. PROSPECTS FOR A FAVORABLE RESOLUTION OF THE SPECIAL ECONOMIC POWERS ACT AND OF THE FOLLOWING WAGE NEGOTIATIONS HAVE IMPROVED WITH THE CONSERVATIVE PARTY HAVING AGREED TO ACCEPT THE BILL AS NOW PRESENTED.
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MOREOVER, THE GENERAL UPSWING IN ECONOMIC ACTIVITIES, PARTICULARLY FOR THE PAPER INDUSTRIES, AND LABOR'S DESIRE TO AVOID A REPEAT OF THE SITUATION IN EARLY 1971 WHICH EXHAUSTED STRIKE FUNDS, POINT TO A SOLUTION OF WAGE NEGOTIATIONS WITHOUT CREATING A SERIOUS PROBLEM, ALTHOUGH SOME STRIKES ARE LIKELY. WHATEVER THE OUTCOME, HOWEVER, AND WHENEVER IT TAKES PLACE, THE RESULT WILL PROBABLY BE INFLATIONARY.

7. THE DEMONSTRATIVE ACTION BY THE CONSERVATIVE PARTY TO BLOCK THE SPECIAL ECONOMIC POWERS BILL AND THEN SUPPORT IT AFTER A TOKEN CONCESSION FROM THE GOVERNMENT WAS A TACTICAL MOVE BY THE PARTY LEADERSHIP WITH AN EYE ON THE PARTY'S CONGRESS IN ONE MONTH. THE PARTY HAD BEEN BADLY SPLIT IN JANUARY ON WHETHER OR NOT TO VOTE IN FAVOR OF SPECIAL LEGISLATION EXTENDING PRESIDENT KKKONEN'S PRESIDENTIAL TERM OF OFFICE, DESPITE THE PARTY LEADERSHIP'S SUPPORT OF THE SCHEME. THE CONOMIC POWERS BILL AND THE PARLIAMENTARY PLAY AROUND IT, PROVIDED A HANDY RALLYING POINT WITH WHICH THE LEADERSHIP COULD ILLUSTRATE, TO THE ACCOMPANIMENT OF EXTENSIVE PUBLICITY, THAT THE PARTY IS UNITED AND THE LEADERSHIP NOT IN DANGER. THE QUICK RETREAT ALSO PREVENTED CRITICISM FROM CERTAIN OF ITS ECONOMIC INTEREST GROUPS THAT THE PARTY'S POLITICKING UNDULY JEOPARDIZED THE ACHIEVEMENT OF WAGE SETTLEMENTS.

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INFO AMEMBASSY COPENHAGEN
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UNCLAS SECTION 2 OF 2 HELSINKI 0811

E. O. 11652: N/ A
TAGS: PINT, ELAB, FI
SUBJECT: CONSERVATIVE PARTY TACTICS TEMPORARILY STALL
INCOME POLICY AND WAGE NEGOTIATIONS

EARLIER THIS MONTH THE FINNISH FEDERATION OF
TRADE UNIONS (SAK) DECLARED IT COULD NOT FIND THE BASIS
TO NEGOTIATE A CENTRALIZED SETTLEMENT ON BEHALF OF ITS
MEMBERS WITH THE FINNISH EMPLOYERS' ASSOCIATION (STK).
THE SAK CITED THE UNCERTAINTY OVER THE SPECIAL POWERS
BILL, THE GOVERNMENT' S FAILURE TO PRODUCE ACCEPTABLE TAX
REFORMS, FAILURE TO AGREE WITH WHITE COLLAR UNIONS ON
WAGE POLICY PRINCIPLES, AND THE BANK OF FINLAND' S THREAT
OF HIGHER INTEREST RATES AS REASONS FOR ITS DECISION.
SINCE THIS ANNOUNCEMENT ON MARCH 6, DESULTORY NEGOTIATIONS
HAVE BEEN CONDUCTED BETWEEN A NUMBER OF INDIVIDUAL UNIONS
AND SPECIFIC INDUSTRY EMPLOYER GROUPS. THERE HAS
BEEN A LOT OF TALK ABOUT A " PATHFINDER" SETTLEMENT AND
HOPES REST CHIEFLY ON EITHER THE PAPER OR METAL INDUSTRY
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TO MAKE THE BREAKTHROUGH. BEFORE THE CONSERVATIVE
REJECTION IN PARLIAMENT ON MARCH 23 OF THE FIRST SPECIAL
POWERS BILL THE PAPER INDUSTRY HAD BEEN REPORTED NEAR
AGREEMENT AND IT WAS O CONCLUDE IDF MUST REMAIN IN ICELAND AS
PRESENTLY

STRUCTURED. HE ADVISED THAT ARGUMENTS MUST BE CONVINCING AND
UNIQUE AND NOT JUST " A BUNCH OF MEANINGLESS WORDS WHICH ANYBODY
COULD READ IN THE NEWSPAPERS." I TAKE THIS TO MEAN THE " OPTIONS
PAPER" SHOULD BE CLASSIFIED AND LEAD THE GOVT AND THE FOREIGN
RELATIONS CMTE INTO THINKING THEY ARE BEING MADE PRIVY TO INFO
NOT ORDINARILY MADE AVAILABLE TO GENERAL PUBLIC.

3. HALLGRIMSSON SAID HE UNDERSTOOD THAT THE COMMUNISTS IN THE
GOVT MAY TRY TO FORCE THE GOVT TO MAKE A STATEMENT ON THE IDF
ISSUE WITHIN NEXT TWO OR THREE WEEKS. HE THOUGHT THIS SHOULD
BE AVOIDED.

4. LAST FRIDAY EVENING AGUSTSSON APPROACHED ADMIRAL BELING AND
ME ON THE OPTIONS PAPER, SAYING CIRCUMSTANCES MADE IT
NECESSARY FOR HIM TO HAVE THE PAPER WITHIN A WEEK OR TEN DAYS.

HE SAID HE WAS UNDER GREAT PRESSURE ON IDF ISSUE WITHIN HIS GOVT AND WITHIN HIS OWN PROGRESSIVE PARTY. HE SAID HE NEEDED THE PAPER TO CONTINUE TO STALL THE IDF BASIC ISSUE. HALLGRIMSSON'S COMMENTS TO ME SEEM TO BEAR OUT AGUSTSSON'S CONCERN.

5. COMMENT: WASH SHOULD TAKE ABOVE INTO ACCOUNT IN ITS ANALYSIS OF THE DRAFT OPTIONS PAPER. THE FINAL VERSION MUST BE HARD-HITTING AND CONVINCING SO AS TO CREATE A REACTION IN THE GOV AND THE CMTE THAT IT WOULD BE UNWISE FOR GOI TO RUSH INTO ACTION WHICH MIGHT JEOPARDIZE THE SECURITY OF ICELAND. THIS EMB KEEPS HEARING THAT ONE OF THE PLANS THE PEOPLE'S ALLIANCE (COMMUNIST) MEMBERS OF THE GOVT HAS IN MIND IS TO FORCE A POPULAR REFERENDUM ON THE IDF ISSUE. THE PRESENT GOVT IS BEING SO HARASSED ON SO MANY FRONTS THAT IT MIGHT FIND THIS "SOLUTION" ATTRACTIVE. ALL PRO-IDF ELEMENTS AGREE, HOWEVER, THIS WOULD BE BAD BECAUSE EMOTIONALISM AND ICELAND'S CULTURAL DISLIKE OF MILITARY FORCES ON ITS SOIL CAN BE INFLAMED. NO ONE WOULD BE ABLE PREDICT THE END RESULT OF SUCH A REFERENDUM. IRVING

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